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SUBJECT: PRESIDENT PACHECO SENDS CAFTA-DR TO THE ASSEMBLY TO
BEGIN THE RATIFICATION PROCESS

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(B) SAN JOSE 02008

(C) SAN JOSE 02436

11. (SBU) Summary. After meeting with his cabinet in the morning of October 21, 2005, President Pacheco announced that he would send the United States-Central American-Dominican Republic Free Trade Agreement (CAFTA-DR) to the Legislative Assembly later that day to start the ratification process. This marks the end of Pacheco's delay in moving forward on the ratification of CAFTA-DR in Costa Rica and the beginning of what will probably be a long legislative process that will include debate in the Assembly's International Relations Committee, at least two votes by the entire 57-member Assembly, and a review by the country's Constitutional Court (Ref B) - all of this in the midst of the February 2006 Presidential and Legislative elections. End Summary.

12. (U) In the press conference after the October 21 cabinet meeting, in which President Pacheco was accompanied by Vice President Lineth Saborio and Foreign Trade Minister Manuel Gonzalez, Pacheco announced that Gonzalez would deliver CAFTA-DR to President of the Assembly Geraldo Gonzalez later that same day. President Pacheco made a point to say that the 14 months that have elapsed since he signed CAFTA-DR was not lost time but was the time needed to educate Costa Ricans on the agreement and its implications and to start the debate. He said that Costa Ricans have become much more knowledgeable about the agreement, and he cited the recent CID/Gallup poll results as evidence (Ref C). He also elaborated on the numerous meetings that the Administration has had with various groups about their views on CAFTA-DR.

13. (SBU) "What has happened today with the delivery of CAFTA-DR to the Assembly is that the forum of the debate has changed - from the executive to the legislative branch," said Pacheco. When asked if Costa Rica could possibly be ready to join the other CAFTA-DR countries for a proposed January 1, 2006 implementation date, President Pacheco answered that the issue is now in the hands of the Assembly, but it was probably impossible given that CAFTA-DR will not go to the International Relations Committee until November, and the Assembly not being in session from before Christmas until after the February 5, 2006 elections. (Comment: President Pacheco sets the Assembly's legislative priorities during the upcoming extraordinary session from December 1 through April 30, and, in response to a question asked at the press conference, his priority is clearly the Fiscal Reform bill. CAFTA-DR seems to be third on his priority list after the recently submitted proposed law to strengthen the Costa Rican Institute of Electricity (ICE) which he said must be approved prior to ratifying CAFTA-DR. End Comment.)

14. (U) He also responded that "there is no hurry" and that "he does not know why everyone wants to rush this issue." "Costa Rica is different and we take our time to do things right," he added. When asked if he had any doubts about CAFTA-DR, he said, "I have doubts like everybody." He repeatedly stressed that CAFTA-DR is an instrument that Costa Rica can use to further development - an instrument that one must be prepared to use to its fullest extent. Pacheco said that the complementary agenda, the funding of which the Administration has already presented to the Assembly for approval, is very important to ensure that all Costa Ricans benefit from implementation of CAFTA-DR. Pacheco acknowledged that the work has just begun - that Costa Rica needs to make changes in its administration, infrastructure, etc., to take advantage of the opportunities presented by CAFTA-DR.

15. (U) When asked about what he would say to those CAFTA-DR opponents such as some labor union representatives and university students who have threatened strikes and protests, President Pacheco said that Costa Rica is a country of laws - that by law it was his duty to send the

agreement to the Assembly for debate and discussion. "To not have done so," he said, "I would have been acting as a dictator in unilaterally deciding yes or no on CAFTA-DR." He stressed that Costa Rica is a democracy and he called for a wide-reaching, meaningful, and peaceful debate in the Assembly and the country. Pacheco stressed the peaceful nature and history of Costa Rica.

16. (U) President Pacheco and Minister Gonzalez stressed the need for Costa Rica to take part more fully in the world economy. "We cannot isolate ourselves," said President Pacheco. "Thousands of jobs depend on exporting products and providing services to the world market," said Gonzalez. Gonzalez said that he was happy to join Costa Rica's "brother countries" in this agreement not only to realize benefits with trade with the U.S. but also with the other Central American countries and the Dominican Republic.

IMPLEMENTATION LEGISLATION

17. (U) As part of his presentation, President Pacheco said he "has faith in ICE" and that it is his requirement that the Assembly pass the law to strengthen ICE prior to ratifying CAFTA-DR. One reporter referred to the fact that there are some Assembly members who are clearly in favor of CAFTA-DR but not in strengthening ICE. When this reporter asked the President how he would ensure that the law to strengthen ICE would be passed in light of this possible opposition, President Pacheco said "Well, it is up to the Assembly, and we will have to see what happens." President Pacheco gave the same answer when asked if all of these projects can be submitted, reviewed, discussed, and voted upon in the little time left before the new President and Assembly members take office on May 8, 2006. Vice President Saborio did say that the Assembly should decide on October 24, 2005, how the law to strengthen ICE will proceed.

18. (SBU) In response to a question regarding when the proposed laws to comply with the telecommunications and insurance market provisions of CAFTA-DR, i.e., gradually opening these markets and effectively regulating them, would be submitted, Saborio said that both are under review by the Administration and they should be sent to the Assembly "in a few weeks". (Comment: The Administration has been saying for months that these bills would be ready "in a few weeks" with no result yet. Appropriate legislation is necessary in these and other areas in order to comply with the requirements of CAFTA-DR. End Comment.)

COMMENT

19. (SBU) President Pacheco has decided that now is the appropriate time to send CAFTA-DR to the Assembly and start the relatively long ratification process. This marks the beginning of a sure-to-be intense and complex debate given the number of legislative projects that need to be discussed and reviewed, the limited amount of time in which to do all of this, and the politically charged environment not only surrounding CAFTA-DR-related issues but also the Presidential and Legislative elections.
FRISBIE